

Message Text

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TO AMEMBASSY SOFIA

C O N F I D E N T I A L STATE 179410

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E.O. 11652: GDS

TAGS: EEWT, BU, US, SHUM

SUBJECT: TRADE RELATIONS WITH BULGARIA

1. NOW THAT THE HUNGARIAN TRADE AGREEMENT HAS BEEN PUT IN-
TO EFFECT, WE ARE TAKING PRELIMINARY STEPS TO PREPARE OUR-
SELVES FOR THE POSSIBILITY OF NEGOTIATING A TRADE AGREE-
MENT,INCLUDING MFN TREATMENT, WITH BULGARIA UNDER THE
TERMS OF THE TRADE ACT. THERE HAS BEEN NO POLICY DECISION
TO DO SO, NOR DO WE HAVE ANY TIMETABLE FOR SEEKING SUCH
A DECISION. WE MAY DECIDE IN FACT THAT IT IS NOT IN US
INTERESTS TO MOVE AHEAD WITH BULGARIA EVEN IF WE DISCOVER
THAT BULGARIA MEETS (OR COULD MEET) THE REQUIREMENTS
IMPOSED BY THE TRADE ACT OF 1974. NEVERTHELESS WE BELIEVE
WE SHOULD NOW BEGIN EXPLORING QUESTIONS THAT WOULD BE
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PAGE 02 STATE 179410

RAISED IN THE EVENT WE DECIDE TO SEEK A POLICY DECISION TO
GO AHEAD WITH MFN TALKS WITH BULGARIA.

2. WE THEREFORE REQUEST THE EMBASSY TO MAKE A SPECIAL
EFFORT OVER THE MONTHS AHEAD TO SUBMIT DATA, ANALYSES AND
ASSESSMENTS THAT WILL HELP US TO EVALUATE THE POSSIBILITY
AND DESIRABILITY OF NEGOTIATING TRADE/EMIGRATION ISSUES

WITH BULGARIA. THE FOLLOWING QUESTIONS ARE PROVIDED AS
A GUIDE TO THE EMBASSY'S REPORTING.

3. EMIGRATION/HUMAN RIGHTS ISSUES: WHAT IS THE SIZE AND
GEOGRAPHIC DISTRIBUTION OF THE JEWISH POPULATION IN
BULGARIA? WHAT HAS BEEN THE CONDITION OF BULGARIAN JEWRY
SINCE WORLD WAR II? WHAT WAS BULGARIA'S POLICY TOWARD
ITS JEWISH POPULATION DURING THE PERIOD OF ALLIANCE WITH
NAZI GERMANY AND DURING THE YEARS AFTER THE ESTABLISHMENT
OF ISRAEL? IS THERE DISCRIMINATION AGAINST JEWS? DO
THEY HAVE FREEDOM TO PRACTICE THEIR RELIGION? TO WHAT
EXTENT DO THEY HAVE FREEDOM TO EMIGRATE? HOW MANY EMIGRATE
ANNUALLY? ARE THERE SOME (HOW MANY) WHO WISH TO EMIGRATE
BUT CANNOT? DO BULGARIAN JEWS RECEIVE PERMISSION TO
VISIT ISRAEL? DO ISRAELI CITIZENS OF BULGARIAN EXTRACTION
RECEIVE PERMISSION TO VISIT THEIR RELATIVES IN BULGARIA?

4. WHAT IS THE CURRENT SIZE AND STATUS OF THE TURKISH
AND OTHER MINORITIES? WHAT IS BULGARIA'S POLICY TOWARD
THESE MINORITIES?

5. WHAT ARE THE BULGARIAN LAWS PERTAINING TO EMIGRATION?
HOW ARE THEY APPLIED? ARE THERE REGULATIONS PROVIDING FOR
HANDLING OF EMIGRATION APPLICATIONS WITHIN A GIVEN PERIOD
OF TIME? IS THERE PROVISION FOR APPEAL OF A DENIAL OF A
PASSPORT? ARE PROSPECTIVE EMIGRANTS PENALIZED WHILE
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PAGE 03 STATE 179410

AWAITING APPROVAL OF THEIR REQUEST FOR A PASSPORT? ARE
ANY UNUSUAL TAXES OR PENALTIES LEVIED ON EMIGRANTS? AT
A MINIMUM, HOW LONG DOES THE WHOLE PROCEDURE TAKE? CAN
EMIGRANTS TAKE THEIR POSSESSIONS WITH THEM?

6. ARE BULGARIAN CITIZENS ALLOWED TO TRAVEL ABROAD FREELY?
HOW MANY TRAVEL ABROAD ANNUALLY? WHAT ARE THE APPLICABLE
LAWS AND REGULATIONS? ARE FOREIGN EXCHANGE SHORTAGES A
SIGNIFICANT LIMITING FACTOR?

7. WHAT IS THE EVIDENCE TO SUPPORT THE ARGUMENT THAT
THERE IS "A CONSISTENT PATTERN OF GROSS VIOLATION OF
HUMAN RIGHTS" IN BULGARIA? WHAT DO WE KNOW ABOUT DISSI-
DENCE IN BULGARIA? WHAT DO WE KNOW ABOUT POLITICAL
PRISONERS? HOW DOES THE GOVERNMENT HANDLE DISSIDENT
BEHAVIOR?

8. HOW SHOULD BULGARIA'S RECORD ON IMPLEMENTATION OF CSCE
PROVISIONS BE CHARACTERIZED? WHAT DO WE KNOW OF BULGARIA'S
UNILATERAL EFFORTS ON IMPLEMENTATION? ITS BILATERAL
EFFORTS? ITS MULTILATERAL EFFORTS? OF THE REMAINING
DIVIDED FAMILY CASES WITH THE US, HOW MANY ARE PROBLEM

CASES, I.E. THOSE WHICH HAVE DRAGGED ON FOR A YEAR OR MORE? HOW MANY DIVIDED FAMILY CASES DOES BULGARIA HAVE WITH WESTERN EUROPEAN COUNTRIES? IS THE NUMBER INCREASING OR DECREASING?

9. ECONOMIC/COMMERCIAL ISSUES: WHAT DOES BULGARIA EXPECT TO GAIN FROM MFN? DOES BULGARIA HAVE THE CAPACITY AND INCENTIVE TO INCREASE TOBACCO OR WINE EXPORTS TO THE US? WOULD BULGARIA BE LIKELY TO RESPOND TO LOWER U.S. TARIFFS BY LOWERING PRICES? WHAT NEW PRODUCTS COULD BULGARIA EXPORT TO THE U.S.?

10. DOES THE BULGARIAN GOVERNMENT HAVE A STRONG NATIONAL INTEREST IN MFN, OR WOULD IT SEE ITSELF PRIMARILY AS
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PAGE 04 STATE 179410

NEGOTIATING ON BEHALF OF THE SOVIETS (TO FIND A FORMULA ACCEPTABLE TO THE USSR, OR TO TEST U.S. WILLINGNESS TO EXTEND MFN TO A COUNTRY WITH UNQUESTIONED ALLEGIANCE TO THE USSR)?

11. EVEN WITH A JACKSON-VANIK WAIVER, BULGARIA MAY HAVE DIFFICULTY QUALIFYING FOR CCC OR EXIM CREDITS UNDER FINANCIAL CRITERIA. WHAT ARE THE ATTITUDES OF WESTERN BANKERS AND WESTERN EMBASSIES IN SOFIA TOWARD CREDITS FOR BULGARIA? GIVEN BULGARIA'S HIGH DEBT AND DEBT-SERVICE LEVELS, HAS THE BULGARIAN GOVERNMENT ASKED FOR RESCHEDULING OR "FINANCIAL"(UNTIED) CREDITS RECENTLY? WHAT INTEREST RATES AND TERMS CAN BULGARIA GET? IS THERE EVIDENCE OF HARD-CURRENCY SUPPORT FROM CEMA OR INDIVIDUAL CEMA COUNTRIES?

12. TO WHAT EXTENT WOULD EXIM OR CCC CREDITS HELP EXPAND THE U.S. MARKET IN BULGARIA? CAN THE EMBASSY IDENTIFY SPECIFIC DEALS WHICH HAVE BEEN LOST TO U.S. EXPORTERS FOR LACK OF GOVERNMENT-BACKED CREDITS?

13. TO WHAT EXTENT ARE BULGARIAN IMPORTS DETERMINED BY THE FOREIGN TRADE PLAN? DO FTOS AND END-USERS HAVE FLEXIBILITY WITH REGARD TO QUANTITIES ONCE THE PLAN IS APPROVED? ARE DETAILED PLAN CHANGES NECESSARY OR POSSIBLE?

14. HOW IS FOREIGN EXCHANGE ALLOCATED FOR IMPORTS? IS THE PROCESS LINKED CLOSELY TO THE PLAN? WHAT FLEXIBILITY DO THE FOREIGN TRADE BANK, FTOS AND END-USERS HAVE? WHAT EXCHANGE RATES ARE USED TO COMPENSATE END-USERS FOR HARD-CURRENCY EXPORTS? HOW ARE THEY CHARGED FOR HARD-CURRENCY IMPORTS? ARE THERE SEPARATE HARD-CURRENCY PLAN TARGETS?
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PAGE 05 STATE 179410

15. HAS BULGARIA'S NEW TARIFF (77 SOFIA 2459) EFFECTIVELY DISCRIMINATED AGAINST U.S. EXPORTS? TO WHAT EXTENT DOES IT FAVOR CEMA IMPORTS OVER MFN COUNTRIES? ARE DUTIES BEING PAID BY END-USERS? GIVEN THE IMPORTANCE OF THE TARIFF TO ANY MFN NEGOTIATIONS (77 STATE 301688), PLEASE POUCH A COPY OF THE CURRENT TARIFF SCHEDULE AND ANY PUBLISHED IMPLEMENTING REGULATIONS TO EB/ITP/EWT, RM 3817, ATTN: CLARKE.

16. TO WHAT EXTENT DOES THE BULGARIAN GOVERNMENT CURRENTLY INFLUENCE THE CHOICE OF FOREIGN SUPPLIERS FOR OTHER THAN COMMERCIAL REASONS? ARE IMPORTS FROM THE U.S. ACTIVELY DISCOURAGED? IF THE U.S. WERE TO GRANT MFN TARIFF TREATMENT, WOULD THE BULGARIAN GOVERNMENT BE LIKELY TO GIVE SPECIAL ENCOURAGEMENT TO IMPORTS FROM THE U.S.?

17. BULGARIA IS NOT ELIGIBLE FOR U.S. GENERALIZED PREFERENCES (GSP) UNDER TRADE ACT SECTION 502(B) (1). SINCE BULGARIA RECEIVES GSP FROM OTHER WESTERN COUNTRIES, IS GSP OR DEVELOPING-COUNTRY STATUS LIKELY TO BE AN ISSUE WITH U.S.?

18. IS BULGARIA PREPARED TO REACH A FINAL SETTLEMENT ACCEPTABLE TO THE FOREIGN BONDHOLDERS PROTECTIVE COUNCIL WITHOUT A POSITIVE SIGNAL FROM THE U.S. ON MFN?

19. WHAT OTHER CLAIMS OR DEBTS ARE IN DISPUTE WITH U.S. CITIZENS? HAS BULGARIA SETTLED SUCH ISSUES WITH OTHER WESTERN COUNTRIES AMICABLY?

20. HAS BULGARIA RELIABLY FULFILLED CONTRACTS WITH WESTERN FIRMS, PARTICULARLY U.S. FIRMS? DOES BULGARIA PERMIT DIRECT ACCESS TO END-USERS?

21. IS EMBASSY AWARE OF ANY U.S. FIRMS WHICH MIGHT
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PAGE 06 STATE 179410

ESTABLISH OFFICES IN BULGARIA FOLLOWING MFN? WHAT ARE THE MAJOR LEGAL, BUREAUCRATIC AND ECONOMIC OBSTACLES TO SUCH OFFICES.

22. WHAT FACILITIES WOULD VISITING U.S. BUSINESSMEN HAVE IN BULGARIA? WHAT FACILITIES WOULD THEY NOT HAVE? ARE THERE WESTERN FIRMS OPERATING IN BULGARIA? HOW ARE

THEY DOING? WHAT MARKED OPPORTUNITIES FOR U.S. FIRMS
MIGHT EXIST IN BULGARIA? WOULD A TRADE AGREEMENT HELP
THESE FIRMS IN THEIR SALES, INVESTMENT AND COMMERCIAL
EFFORTS?

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23. WE RECOGNIZE THAT MUCH OF THIS DATA WILL NOT BE
IMMEDIATELY AVAILABLE TO THE EMBASSY, SOME OF IT PERHAPS
NEVER CONCLUSIVELY. PARTIAL REPLIES OR REFERENCES TO
OTHER REPORTS WOULD BE HELPFUL. FROM THE QUESTIONS LISTED
ABOVE, HOWEVER, EMBASSY WILL APPRECIATE THAT MUCH WORK
NEEDS TO BE DONE BEFORE WE CAN BE IN A POSITION TO JUDGE
THE DESIRABILITY AND FEASIBILITY OF NEGOTIATING A TRADE
AGREEMENT WITH BULGARIA UNDER THE PROVISIONS OF THE TRADE
ACT. CHRISTOPHER

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